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May 21, 2008

**WASHINGTON, D.C.** - Rep. Charlie Melancon (D-LA) joined his colleagues in the House of Representatives in passing the Energy and Tax Extenders Act of 2008 (H.R. 6049), which included a provision fixing a problem in the federal tax code that would force thousands of Road Home grant recipients to pay taxes on their recovery grants.

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At the urging of Rep. Melancon and other members of the Gulf Coast delegation, House leadership included these key changes in H.R. 6049, which passed with bipartisan support and is headed to the Senate. Without this fix, hurricane survivors who deducted the losses they suffered from Hurricanes Katrina and Rita from their federal taxes would then have to count their Road Home grants as new income, and pay taxes on them.

"Congress took steps today to remove at least one obstacle burdening south Louisianians who are still rebuilding their homes and their lives," said Rep. Melancon. "Treating Road Home grants as taxable income is completely backwards, and I'm pleased my colleagues in the House agree. Louisianians need to be able to put every dollar of their recovery grant money toward rebuilding their homes, not paying more taxes to the government."

The Road Home tax fix allows grant recipients who have previously deducted the losses on their homes from their federal income taxes to amend their tax returns, ensuring that they won't have to pay taxes on their Road Home grants. This change could save homeowners thousands of dollars that are more needed to pay for recovery efforts, not tax bills. Louisianians who have already paid the taxes on their recovery grants will be allowed to amend their current tax returns to reflect the new law.

In addition to the fixing the Road Home tax problem, the bill passed by the House would also

eliminate the deadline by which new construction in south Louisiana needed to begin in order to be eligible for a tax deduction under the Gulf Opportunity (GO) Zone Act of 2005. The GO Zone Act allows a bonus depreciation tax deduction for property placed in service before Dec. 31, 2010, in the five Mississippi counties and seven Louisiana parishes that suffered the most damage from the hurricanes. Congress had already approved an extension to the deadline for construction projects to be completed. However, the deadline by which they needed to break ground was kept in place. Because of this, only projects that broke ground by the end of 2007 were eligible for the bonus tax deduction. H.R. 6049 would eliminate that deadline, making more builders in south Louisiana eligible for a much needed tax deduction that will encourage more rebuilding.

Rep. Melancon continued, "The recovery effort is by no means complete and the GO Zone program needs to remain flexible in order to help those who are still rebuilding. By eliminating the deadline to begin construction, we give those looking to rebuild another tool to assist them when they are ready to break ground."

"Both of these measures passed by the House today are positive steps that will help people in south Louisiana rebuild their homes and businesses. I am proud to have worked with the Gulf Coast delegation to get these measures passed and I thank Chairman Charlie Rangel of the House Ways and Means Committee and my colleagues in Congress for their continued support for the people of south Louisiana."

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